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STATES MUST RESTRAIN RUNAWAY BUREAUCRACY COSTS: IPA

State and territory governments must get the costs of their own bureaucracies under control to help deliver longer term fiscal sustainability, according to free market think tank the Institute of Public Affairs.

“Since the GST, reforms the trend has been for state government employment to expand significantly, and for public service salary increases to outstrip inflation,” said IPA Senior Fellow Dr Julie Novak.

“State government employee expenses have ballooned by \$49 billion, with an average annual increase of 7.3 per cent that is well above the average inflation rate of three per cent per annum from 2000-01.”

“The fastest growth in budget expenses for state employee salaries have occurred in the resources states of QLD (8.7 per cent per annum) and WA (8.5 per cent), and also the ACT (7.2 per cent).”

“Almost 360,000 people have been added to state payrolls from 2000-01, with the larger states of NSW and VIC leading the charge. Even in the current difficult budget climate, WA, the smaller states and the territories have kept adding numbers to the bureaucracy in recent years.”

“The states only have limited access to taxes so if a burgeoning bureaucracy is left unchecked, the difficult budgetary positions experienced by many states will only worsen with time,” Dr Novak said.

States and territories must continue with their recent initiatives to downsize bureaucracies, and to control runaway increases in pay and conditions that taxpayers are forced to underwrite.

“State taxpayers rightly expect their governments to deliver the best value for money possible. A more streamlined and efficient state public sector workforce must be part of the solution to repair state budgets in the longer term.”

“What is needed is an ambitious agenda for the privatisation of assets, outsourcing of all back-office functions as practicable, a stronger involvement of the private sector in service delivery, and stronger capping of bureaucratic salary increases.”

“These reforms would give citizens the most efficient public administration on offer, give more space for local businesses to grow, and provide taxpayers much-needed relief,” Dr Novak said.

The report, *Bureaucracy Overload, State Government Employment Since the GST Reforms*, can be found at http://www.ipa.org.au/portal/uploads/SUBMISSION-bureaucracy_overload-state_government_employment_since_the_gst_reforms.pdf.

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